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Canadian Bonds

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COMMON INVESTMENT INTEREST BETWEEN CANADA AND THE UNITED STATES

FOR a long period of years purchasers of securities (both speculative and investment) in North America have been buying government, municipal and corporation securities without much regard to international boundaries. In practically every crossroads town in Canada, you will find owners of securities of some of the following: United States Steel Corporation, Great Northern Railway Company, Northern Pacific Railway Company, New York Central Railroad Company, Pennsylvania Railroad Company, Erie Railroad Company, Twin City Rapid Transit Company, and other well known Corporations.

Neither is it an uncommon thing to find United States investors who are owners of securities of some of the following: Canadian Pacific Railway Company, Canadian Northern Railway System, Grand Trunk Railway Company of Canada, Dominion of Canada, the various Provinces and all the larger Canadian Cities, as well as a large number of corporations such as, Shawinigan Water & Power Company, Montreal Light, Heat & Power Consolidated, Montreal Tramways Company, Nova Scotia Steel & Coal Company Limited, etc. These holdings indicate that there is a common investment interest between people in Canada and the United States.

REASONS FOR INTER-RELATION OF SECURITY HOLDINGS

The ordinary observer may assign sentiment as the main reason for this inter-relation of security holdings, but sentiment alone would be, in our estimation, a frail foundation for any permanent progress in this connection. We believe that the reasons for this common interest are sentiment, trade relations and satisfactory security values.

Sentiment

It would be a rash man who, today, would undertake, in either Toronto or New York, to separate by casual observance United States citizens from Canadian citizens. We nearly all speak the same language, wear the same kind of clothing, eat the same style of food and use the same customs and manners, as a large percentage of both countries are of Anglo-Saxon ancestry. Practically every Canadian summer resort is well patronized by United States citizens, and Canadians by the thousands spend several winter months in California and the Southern Atlantic States.

We may even say that we think alike, the most conclusive evidence of this being the fact that in 1915 we commemorated the one hundredth anniversary of peace between the United States and Canada, countries which adjoin for approximately four thousand miles without a single border fort.

During the time that the Canadian Army, for overseas service in the Great War just finished, was recruited under the volunteer system, there were so many volunteers from various sections of the United States that it was found advisable to form a separate unit, which was called the "American Legion." These relations were more firmly

growth of this trade is shown in the following table.

The foreign trade of Canada in 1918, with a population of seven and one-half millions, exceeded by over \$100,-000,000 the foreign trade of the United States in 1904 with a population of over seventy-five millions. The trade of Canada with the United States in 1918

| Year | Canadian Total Trade | Exports to U. S. | Imports from U. S. | Total Trade with U. S. |
|------|-------------------------|---------------------|-----------------------|---------------------------|
| 1870 | 144,811,000 | 37,228,000 | 21,697,000 | 58,925,000 |
| 1880 | 159,693,000 | 29,566,000 | 28,193,000 | 62,696,000 |
| 1890 | 209,514,000 | 36,213,000 | 51,365,000 | 92,814,000 |
| 1900 | 372,699,000 | 59,666,000 | 102,080,000 | 178,463,000 |
| 1905 | 465,242,000 | 70,426,000 | 152,431,000 | 240,142,000 |
| 1910 | 677,191,000 | 104,199,000 | 217,502,000 | 336,652,000 |
| 1911 | 759,147,000 | 104,115,000 | 274,844,000 | 404,331,000 |
| 1912 | 862,799,000 | 102,041,000 | 330,428,000 | 476,889,000 |
| 1913 | 1068,749,000 | 139,725,000 | 435,770,000 | 608,252,000 |
| 1914 | 1112,690,000 | 163,373,000 | 395,565,000 | 611,245,000 |
| 1915 | 1078,248,000 | 173,320,000 | 296,632,000 | 644,026,000 |
| 1916 | 1424,949,000 | 201,106,000 | 370,496,000 | 718,918,000 |
| 1917 | 2249,195,000 | 280,616,000 | 664,219,000 | 1164,502,000 |
| 1918 | 2564,484,000 | 417,233,000 | 791,906,000 | 1247,501,000 |
| 1919 | | | | |

cemented by the entrance of the United States into the Great War on the side of the Allies.

Trade Relations

With such pleasant relations existing between the United States and Canada, one would expect to find a great interchange of trade. This is, indeed, the exact situation and the

exceeded by over \$90,000,000 the foreign trade of the United States in 1879 with a population of over fifty millions. Canadian purchases in the United States in 1918 exceed by over \$87,000,000 the foreign trade of the United States in 1869 with a population of over thirty-eight millions. Over half of Canada's trade is with the United States.

| Year | Sold in Canada | Sold in the United Kingdom | Sold in the U. S. | Total |
|---------------------|-------------------|-------------------------------|----------------------|---------------|
| 1905 | \$35,149,000 | \$85,621,000 | \$9,256,000 | \$134,874,000 |
| 1906 | 23,304,000 | 26,563,000 | 4,118,000 | 53,987,000 |
| 1907 | 14,761,000 | 63,095,000 | 4,779,000 | 82,635,000 |
| 1908 | 24,585,000 | 165,455,000 | 6,316,000 | 196,356,000 |
| 1909 | 60,433,000 | 194,356,000 | 10,367,000 | 265,158,000 |
| 1910 | 39,296,000 | 188,070,000 | 3,634,000 | 231,000,000 |
| 1911 | 44,989,000 | 204,269,000 | 17,553,000 | 266,812,000 |
| 1912 | 37,735,000 | 204,236,000 | 30,966,000 | 272,937,000 |
| 1913 | 45,603,000 | 277,470,000 | 50,720,000 | 373,795,000 |
| 1914 | 32,999,000 | 185,990,000 | 53,944,000 | 272,935,000 |
| 1915 | 114,275,000 | 41,175,000 | 178,606,000 | 335,106,000 |
| 1916 | 102,938,000 | 5,000,000 | 206,943,000 | 356,882,000 |
| 1917 | 546,330,000 | 5,000,000 | 174,708,000 | 726,039,000 |
| 1918 | 727,446,000 | 14,600,000 | 33,310,000 | 775,356,000 |
| 1919 | 716,000,000 | | 150,000,000 | 876,000,000 |
| (1 month estimated) | | | | |

Satisfactory Security Values

The experience of United States investors who have been purchasers of Canadian government, provincial and corporation bonds, has been very favorable, in fact, much more favorable than their experience with their own securities. As a result, the volume of Canadian bonds sold in the United States, as shown in the preceding table, has considerably increased over a period of years.

With all the effort that is being made to educate the United States investor to buy foreign bonds for the purpose of extending credit to foreign nations, you very seldom see included in the list of these foreign nations, the name of Canada. It has become a settled conviction with the financial houses of the United States that any reasonable amount of money required by the government of the

Dominion of Canada, or any of her provinces or large cities, or any of her satisfactory corporations, can be readily secured in the United States, providing the issues are framed to suit market conditions.

CANADIAN FINANCE DURING THE WAR

As a result of the well organized war effort of the Canadian people, the Canadian Army made a record of which Canadians may well be proud, and Canadian industry adjusted itself to war conditions so readily that a very enviable record for quality, speed and certainty of supply was made in the manufacture of munitions. Great as were these two achievements, Canada's best record was made in finance, as previous to the war approximately 87 per cent of all Canadian bonds were sold outside of Canada and only 13 per cent marketed at home, while it is

INVENTORY OF THE NATIONAL WEALTH OF CANADA

| Items | Estimated Present Value |
|--|----------------------------|
| Agriculture—Improved lands | \$2,792,229,000 |
| Buildings | 927,548,000 |
| Implements | 387,079,000 |
| Live Stock | 1,102,261,000 |
| Fishing—Total capital invested | 47,143,125 |
| Mines—Value of buildings and plant | 140,000,000 |
| Manufactures—Plant and working capital | 2,000,000,000 |
| Railways | 2,000,000,000 |
| Street Railways | 160,000,000 |
| Canals | 123,000,000 |
| Shipping | 35,000,000 |
| Telegraphs | 10,000,000 |
| Telephones | 95,000,000 |
| Real Estate and buildings in cities and towns (based on assessments of 140 localities) | 3,500,000,000 |
| Clothing, furniture and personal effects | 800,000,000 |
| Coin and bullion—held by Receiver General | 119,000,000 |
| Specie in banks | 82,000,000 |
| Value of token currency | 7,500,000 |
| Imported merchandise in store | 250,000,000 |
| Current production—Agriculture | 1,621,028,000 |
| Fishing | 39,000,000 |
| Forestry | 175,000,000 |
| Mining | 190,000,000 |
| Manufacturing | 2,400,000,000 |
| Total | <u>\$19,002,788,125</u> |

estimated that in the year following the war (1919) 83 per cent were purchased by Canadian investors.

In addition to the purchase of the new issues, a great volume of the issues which had been sold originally in the English market, has been repurchased and redistributed in Canada; so that

Some of the best known and most traded in Canadian issues are as follows:

Dominions

| | |
|------------------|------|
| 5's due April, | 1921 |
| 5's due April, | 1926 |
| 5's due April, | 1931 |
| 5½'s due August, | 1921 |
| 5½'s due August, | 1929 |
| 5's due March, | 1937 |

PROVINCIAL STATISTICS

| Province | Population | Area Square Miles | Total Funded Debt | Debt per Capita | Net Debt | Net Debt per Capita | Revenue | Expenditure |
|--------------------|------------|-------------------|-------------------|-----------------|--------------|---------------------|-------------|-------------|
| Alberta..... | 529,000 | 255,285 | \$31,500,200 | \$59.54 | \$16,246,149 | \$30.71 | \$9,527,424 | \$8,303,806 |
| British Columbia.. | 392,480 | 355,855 | 27,751,936 | 70.25 | 23,362,652 | 59.53 | 8,882,846 | 8,073,565 |
| Manitoba..... | 613,000 | 251,832 | 35,870,870 | 58.51 | 14,623,802 | 23.86 | 7,631,598 | 7,308,680 |
| New Brunswick... | 351,889 | 27,985 | 18,163,089 | 51.62 | 11,167,929 | 31.74 | 3,092,211 | 3,665,283 |
| Nova Scotia..... | 492,338 | 21,428 | 13,362,706 | 27.14 | 12,874,426 | 26.15 | 2,304,076 | 2,849,842 |
| Ontario..... | 2,523,274 | 407,262 | 75,645,917 | 29.98 | 74,554,055 | 29.55 | 19,270,123 | 17,460,404 |
| Pr. Edward Island. | 93,728 | 2,184 | 818,000 | 8.72 | 673,767 | 7.18 | 501,293 | 523,617 |
| Quebec..... | 2,380,042 | 703,653 | 39,827,769 | 16.73 | 38,015,654 | 15.97 | 13,806,390 | 11,423,497 |
| Saskatchewan..... | 733,660 | 251,700 | 29,990,906 | 40.88 | 16,831,291 | 22.94 | 8,278,465 | 6,884,534 |

considering the present purchasing power of the Canadian investor, the extension of Canada's foreign trade and her all round development, it would not be surprising if, during the next ten years, she should become a creditor instead of a debtor nation.

MARKET FOR CANADIAN SECURITIES
IN THE UNITED STATES

In connection with the marketing of Canadian securities in the United States, practically every United States Bond House of any importance has, at one time or another, been interested in Canadian issues. During the last ten years the Dominion government and every province, with the exception of Prince Edward Island, and practically every large Canadian city has made at least two issues, and some many more, in the United States.

and various internal issues payable in Canada only.

Province of Alberta

| | |
|--------------------|------|
| 5's due August, | 1922 |
| 4½'s due December, | 1923 |
| 5's due February, | 1924 |
| 5's due May, | 1925 |
| 5's due May | 1926 |
| 6's due August, | 1928 |

Province of British Columbia

| | |
|--------------------|------|
| 4½'s due December, | 1925 |
| 4½'s due July, | 1926 |
| 5's due July, | 1939 |

Province of Manitoba

| | |
|-------------------|------|
| 5's due February, | 1920 |
| 5's due October, | 1920 |
| 5's due April, | 1922 |
| 6's due February, | 1928 |

Province of New Brunswick

| | |
|--------------------|------|
| 5½'s due May, | 1922 |
| 4½'s due December, | 1925 |
| 6's due February, | 1928 |
| 5½'s due December, | 1929 |

Province of Nova Scotia

| | |
|------------------|------|
| 5's due January, | 1926 |
|------------------|------|

Province of Ontario

| | |
|---------------------|------|
| 5's due February, | 1920 |
| 5's due May, | 1922 |
| 5½'s due April, | 1922 |
| 5's due January, | 1922 |
| 5½'s due August, | 1924 |
| 4½'s due May, | 1925 |
| 4's due March, | 1926 |
| 6's due February, | 1928 |
| 5½'s due December, | 1929 |
| 5½'s due September, | 1929 |

Province of Quebec

| | |
|----------------|------|
| 5's due April, | 1920 |
| 5's due June, | 1926 |

Province of Saskatchewan

| | |
|-------------------|-----------|
| 5's due October, | 1925 |
| 4's due July, | 1923 |
| 5's due December, | 1920-1925 |
| 4½'s due July, | 1926 |
| 5's due May, | 1926 |
| 6's due July, | 1938 |
| 5's due April, | 1939 |

Municipal

Toronto—4's, 4½'s, 5's and 5½'s, various maturities

Montreal—6's due May, 1923

5's due May, 1936

5's due November, 1956

Winnipeg—5's due October, 1926

Ottawa—5's various maturities

Greater Winnipeg Water District

5's due April, 1920

5's due July, 1921

5's due July, 1922

5's due February, 1923

6's due August, 1923

6's due January, 1924

Corporations

Canadian Pacific Railway notes, 6's due March, 1924

Canadian Pacific Railway Equipment, 4½'s due January, 1920, 1928

Grand Trunk Railway Equipments,

Canadian National Railway Equipments,

Montreal Light Heat & Power, 4½'s due January, 1932

Shawinigan Water & Power, 5's due January, 1934

Cedar Rapids Manufacturing & Power Company, 5's due January, 1933

Laurentide Power Company, 5's due January, 1946

Toronto Power Company, 5's due July, 1924

Electrical Development, 5's due March, 1933

Montreal Tramway, 5's due July, 1941

Dominion Power & Transmission, 5's due April, 1920, 1932

Dominion Glass Company, 6's due June, 1933

Bell Telephone of Canada, 5's due April, 1925

The concrete evidence of a growing interest in Canadian securities in the United States is shown in the establishing, in Canada, of branches of three of the largest United States bond houses. With the number of issues regularly traded in becoming greater year by year, and more United States bond houses establishing branches in Canada as well as Canadian firms establishing branches in the United States, we believe that prime Canadian securities will in a few years be one of the most popular forms of investment in the United States.